

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Gregory Scott  
Edward A. Garvey  
Marshall Johnson  
LeRoy Koppendrayner  
Phyllis A. Reha

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of a Request by Northern States  
Power Company d/b/a Xcel Energy for  
Commission Approval to Continue to Amend  
the Terms of its Electric Fuel Clause  
Adjustment Rider

ISSUE DATE: July 27, 2001

DOCKET NO. E-002/M-01-477

ORDER EXTENDING VARIANCES AND  
REQUIRING FILINGS

**PROCEDURAL HISTORY**

On April 2, 2001, Northern States Power Company d/b/a Xcel Energy (Xcel) filed various compliance reports and requested that the Commission extend for an additional year variances to the fuel clause rules and approval of a forecasted method granted in the Commission's June 27, 2000 Order in Docket No. E-002/M-00-420.

On May 9, 2001, the Minnesota Department of Commerce (the Department) recommended extending the forecasted method another year, extending the variances to the fuel clause rules another year, and continuing the reporting requirements from the Commission's June 27, 2000 Order in Docket No. E-002/M-00-420. The Department also recommended, however, that Xcel be ordered to report (within 60 days of the Order) whether the true-up mechanism should be revised. The Department recommended that Xcel should discuss, at a minimum, advantages and disadvantages of monthly, moving-average, and annual true-ups.

On May 21, 2001, Xcel filed reply comments. Xcel generally agreed with the Department's recommendations, but proposed that the report on alternate true-up methods be provided with the Annual Automatic Adjustment filing due in September.

The Commission met on June 21 to consider this matter.

## **FINDINGS AND CONCLUSIONS**

In an Order issued June 27, 2000 in Docket No. E-002/M-00-420, the Commission granted NSP (now d/b/a Xcel) a one-year variance from Minn. Rules, Parts 7825.2600, subp. 2 and 7825.2400, subp. 13 to allow the Company to amend its electric fuel clause adjustment (FCA) to reflect changes in the relationship between the newly competitive wholesale electric market and regulated cost-recovery. In short, the variances allowed the Company to use a forecasted FCA and defer the balance of unrecovered expenses associated with the months prior to the implementation of the forecasted FCA, without carrying charges, for a one-year period.<sup>1</sup>

In the current petition, the Company sought to extend the variances for another year, which would essentially allow it to continue using the forecasted FCA during that time. The requested variances would 1) allow the monthly FCA to be based on the use of the month-ahead forecast of energy costs, 2) allow a monthly FCA true-up factor to be included in the monthly FCA, and 3) allow the monthly FCA to be prorated based on the number of days in each billing cycle.

The Commission finds that the variances are warranted under the Commission's Rule Variance Rule, Minn. Rules, Part 7829.3200.

- **Excessive Burden:** Enforcement of the FCA rules would impose an excessive burden on Xcel and its ratepayers by providing distorted price signals. Through its analysis of the Company's reports, the Department found that the Company's forecasted FCA (permitted by the variances granted June 27, 2000) generally estimated the current period cost of energy purchased better than the two-month average method described in the rules. Ratepayers benefit from better price signals over time whenever consumers use less energy at expensive peak periods.
- **Public Interest:** Granting the variances will not adversely affect the public interest. Adequate safeguards exist, including the reporting requirements from the June 27, 2000 Order in Docket No. E-002/M-00-420 (continued as clarified in this Order) and the Department's announced intention to continue to monitor the accuracy of the Company's forecasts, to safeguard the public. Indeed, the Department has predicted that with an additional year of data, the forecasted FCA will provide better price signals than the historical FCA method, thereby substantially promoting the public interest.
- **Standards Imposed by Law:** Granting the variance does not violate any standard imposed by law (statute). The requirements varied were created exclusively by Commission rules and, hence, may be varied (as is the case here) pursuant to the standards established by the Commission, Minn. Rules, Part 7829.3200.

Accordingly, the Commission will grant Xcel a one-year variance (extension) to the Commission's FCA rules (7825.2400 and 7825.2600) as requested.

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<sup>1</sup> In the June 27, 2000 Order, the Commission clarified that deferred accounting was granted for accounting purposes only and that the company will need to support any claim for rate recovery in a future filing.

The Commission will also continue the reporting requirements from the Commission's June 27, 2000 Order in Docket No. E-002/M-00-420 with one modification: the Company will be directed to file the report on the true-up mechanism with the Annual Automatic Adjustment reports due in September. The Commission clarifies that in requiring the report to be filed as part of the Annual Automatic Adjustment docket, it is simply establishing a time and place for that filing and not precluding evaluation of the Company's true-up mechanism independent of the Annual Automatic Adjustment docket.

Finally, the Commission will direct the Company to file the updated tariff page regarding its FCA tariff (rider).

### **ORDER**

1. The Commission hereby grants Xcel a one-year variance to the Commission's Fuel Clause Adjustment (FCA) rules (Minn. Rules, Parts 7825.2400 and 7825.2600). This action extends for one year the variances granted the Company in the Commission's June 27, 2000 Order in Docket No. E-002/M-00-420.
2. Xcel shall continue to abide by the reporting requirements from the Commission's Order in Docket No. E-002/M-00-420 with one modification: the report on the true-up mechanism shall be filed with the Annual Automatic Adjustment reports due in September 2001 but may be processed independently of the Annual Automatic Adjustment docket.
3. Within 10 days of this Order, Xcel shall file the updated tariff page (rider).
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

(S E A L)

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